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21 Trustee of the LPG Liquidation Trust

22 **UNITED STATES BANKRUPTCY COURT**

23 **CENTRAL DISTRICT OF CALIFORNIA - SANTA ANA DIVISION**

24 In re:

25 THE LITIGATION PRACTICE GROUP P.C.,

26 Debtor.

27 Case No. 8:23-bk-10571-SC

28 Chapter 11

Adv. Proc. No. _____

COMPLAINT FOR:

**(1) AVOIDANCE, RECOVERY, AND
PRESERVATION OF 2-YEAR ACTUAL
FRAUDULENT TRANSFERS;**

**(2) AVOIDANCE, RECOVERY, AND
PRESERVATION OF 2-YEAR
CONSTRUCTIVE FRAUDULENT
TRANSFERS;**

**(3) AVOIDANCE, RECOVERY, AND
PRESERVATION OF 4-YEAR ACTUAL
FRAUDULENT TRANSFERS;**

**(4) AVOIDANCE, RECOVERY, AND
PRESERVATION OF 4-YEAR
CONSTRUCTIVE FRAUDULENT
TRANSFERS; AND**

(5) TURNOVER;

20 Richard A. Marshack, Trustee of the LPG
21 Liquidation Trust,

22 Plaintiff,

23 v.

24 Quantum One Holdings, LLC, a Delaware
25 company,

26 Defendant.

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Judge: Hon. Scott C. Clarkson

9 For his *Complaint for (1) Avoidance, Recovery, and Preservation of 2-Year Actual*
10 *Fraudulent Transfers; (2) Avoidance, Recovery, and Preservation of 2-Year Constructive*
11 *Fraudulent Transfers; (3) Avoidance, Recovery, and Preservation of 4-Year Actual Fraudulent*
12 *Transfers; (4) Avoidance, Recovery, and Preservation of 4-Year Constructive Fraudulent Transfers;*
13 *and (5) Turnover* (“Complaint”), Plaintiff, Richard A. Marshack, the former Trustee of the LPG
14 Liquidation Trust (collectively, “Trustee” or “Plaintiff”) in the above-captioned bankruptcy case
15 (“Bankruptcy Case”), alleges and avers as follows:

16 **STATEMENT OF JURISDICTION, NATURE OF PROCEEDING, AND VENUE**

17 1. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 157(b)(2)(A),
18 (E), (H) and (O), 1334(b), and General Order No. 13-05 of the District Court for the Central
19 District of California because this is a core proceeding arising in and/or related to the Bankruptcy
20 Case, which is a case under Chapter 11 of Title 11 of the United States Code (“Bankruptcy Code”),
21 and which is pending in the United States Bankruptcy Court for the Central District of California,
22 Santa Ana Division (“Bankruptcy Court”).

23 2. Regardless of whether this proceeding is core, non-core, or otherwise, Plaintiff
24 consents to the entry of a final order and judgment by the Bankruptcy Court.

25 3. Defendant is notified that Rule 7008 of the Federal Rules of Bankruptcy Procedure
26 requires Defendant to plead whether consent is given to the entry of a final order and judgment by
27 the Bankruptcy Court.

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4. Venue of this adversary proceeding properly lies in this judicial district pursuant to 28 U.S.C. § 1409(a) because this proceeding is related to Debtor's pending Bankruptcy Case.

THE PARTIES

5. Plaintiff, Richard A. Marshack, was the duly-appointed, qualified Chapter 11 Trustee of Debtor's Estate and is now the current liquidating trustee of the LPG Liquidation Trust.

6. Debtor is, and at all material times was, a professional corporation organized, existing, and in good standing under the laws of the State of California, with its principal place of business in Tustin, California.

7. Defendant, Quantum One Holdings, LLC (“Defendant”), is, and at all material times represented that it was, a limited liability company existing under the laws of the State of Delaware.

8. Defendant may be served by first class mail postage prepaid upon its registered agent for service of process, Harvard Business Services, Inc., 16192 Coastal Highway, Lewes, Delaware, 19958.

GENERAL ALLEGATIONS

A. The Bankruptcy Case

9. On March 20, 2023 (“Petition Date”), Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, commencing the Bankruptcy Case.

10. The Office of the United States Trustee (“UST”) filed its *Motion by United States Trustee to Dismiss or Convert Case Pursuant to 11 U.S.C. § 1112(b)* [Bankr. Docket No. 21] and creditors Debt Validation Fund II, LLC; MC DVI Fund 1, LLC; and MC DVI Fund 2, LLC filed the *Motion by DVF and MC DVI to Dismiss Chapter 11 Case Pursuant to 11 U.S.C. §§ 105, 305, 349, & 1112, or in the Alternative Convert This Case to Chapter 7 or Appoint a Trustee* [Bankr. Docket No. 44]. On May 4, 2023, the Court entered its *Order Directing United States Trustee to Appoint Chapter 11 Trustee* [Bankr. Docket No. 58].

11. Pursuant to the *Acceptance of Appointment as Chapter 11 Trustee* [Bankr. Docket No. 63], on May 8, 2023, Trustee accepted his appointment as the Chapter 11 Trustee in the Bankruptcy Case, and he continues to serve in this capacity at this time. The Court approved the

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1 Trustee's appointment in its *Order Approving the U.S. Trustee's Application for the Appointment*
2 *of a Chapter 11 Trustee* [Docket No. 65].

3 **12.** Pursuant to the Order Confirming Modified First Amended Joint Chapter 11 Plan of
4 Liquidation entered on September 9, 2024, and the Notice of Occurrence of Effective Date of
5 Modified First Amended Joint Chapter 11 Plan of Liquidation filed September 24, 2024, Richard
6 A. Marshack became the Liquidating Trustee of the LPG Liquidation Trust, effective September 24,
7 2024. [Bankr. Docket Nos. 1646 & 1762].

8 **13.** Trustee was not appointed until after events of the case and, therefore, bases these
9 allegations on information and belief. *Soo Park v. Thompson*, 851 F.3d 910, 928 (9th Cir.
10 2017) (“The *Twombly* plausibility standard . . . does not prevent a plaintiff from pleading facts
11 alleged upon information and belief where the facts are peculiarly within the possession and control
12 of the defendant or where the belief is based on factual information that makes the inference of
13 culpability plausible.”); *Miller v. City of Los Angeles*, 2014 U.S. Dist. LEXIS 198871, 2014 WL
14 12610195, at *5 (C.D. Cal. Aug. 7, 2014) (recognizing that the plaintiff’s “information and belief”
15 pleading was allowed and “necessary at times”); *see also Mireskandari v. Daily Mail and General*
16 *Trust PLC*, 2013 U.S. Dist. LEXIS 194437, 2013 WL 12129642, at *4 (C.D. Cal. July 31,
17 2013) (“The Federal Rules of Civil Procedure allow parties to plead facts on ‘information and belief’
18 if the facts ‘will likely have evidentiary support after a reasonable opportunity for further
19 investigation or discovery.’” (citations omitted)).

20 **14.** All claims have been transferred to the Liquidating Trust pursuant to the confirmed
21 plan and Plaintiff brings this action solely in his capacity as the Chapter 11 Trustee for the benefit
22 of Debtor’s Estate and its creditors.

23 **B. Protective Order**

24 **15.** On or about May 2, 2024, Plaintiff filed that certain Notice and Motion for Entry of
25 Protective Order (the “Protective Order Motion”). On June 3, 2024, the Court entered its Order
26 Granting Motion for Entry of Protective Order and the Protective Order [Docket No. 1270] (the
27 “Protective Order”). A true and accurate copy of the Protective Order is attached as **Exhibit 2**, and
28 incorporated here.

1 **16.** By its own terms, the Protective Order applies to this adversary proceeding and
2 governs all discovery conducted herein.

3 **C. LPG**

4 **17.** LPG operated a law firm for consumers across the country who sought assistance in
5 contesting or resolving debts they would identify.

6 **18.** The consumers would pay LPG over a period of time via monthly debits from their
7 bank accounts.

8 **19.** The monthly payments were meant to cover all legal services LPG provided to the
9 consumers including validation of the debts, review of documents to determine enforceability, and
10 court appearances to halt lawsuits to obtain judgments.

11 **20.** In certain instances, LPG would file a lawsuit in an effort to eliminate a disputed debt
12 or to prosecute affirmative claims held by the consumers.

13 **21.** LPG mismanaged the consumers' monthly payments.

14 **22.** Tony Diab, who at all times relevant herein controlled LPG ("Diab") and others
15 devised a plan to fraudulently transfer funds, client files, client funds and assets in the form of ACH
16 Receivables (the "ACH Receivables" or "Accounts Receivable") out of LPG to third parties prior
17 to the filing of bankruptcy.

18 **23.** To obtain consumer clients, LPG contracted with marketing companies, who
19 engaged in illegal capping and would advertise or call to solicit consumers to become clients of LPG
20 in exchange for a percentage of the ACH Receivables collected by LPG from the consumers.

21 **24.** The marketing affiliate went so far as to assist with the execution of an engagement
22 letter between the consumer and LPG.

23 **25.** In exchange, LPG agreed to pay the marketing affiliates a percentage the monthly
24 payments collected by LPG from the consumers.

25 **26.** Because LPG received payments from consumers over time, it often sought financing
26 by borrowing against its future cash flows. This borrowing was not only used to finance operations
27 at LPG, but also to pay the fees owed to the marketing companies for providing the client referrals.

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1 **27.** Many of the documents executed in connection with such financing described the
2 transactions as accounts receivable purchase agreements.

3 **28.** Diab used entities he controlled including, without limitation, Vulcan Consulting
4 Group, Coast Processing, PrimeLogix, Marich Bein, PurchaseCo80 and/or Maverick Management,
5 LLC to divert LPG consumer funds to ACH Receivables. Diab would use numerous ACH
6 processing companies in order to easily transfer millions of dollars from Debtor to these entities he
7 controlled, without oversight or detection, and to avoid payment disputes and complications. The
8 money that flowed from Debtor through these bank accounts to Defendants consisted of Client
9 Funds that Debtor held in its bank accounts and funneled to these entities by means of the ACH
10 processing companies. Debtor regularly made deposits into these entities bank accounts such that
11 they received Client Funds directly from Debtor in addition to future Accounts Receivable.

12 **D. Defendant**

13 **29.** Defendant was one of the marketing companies that procured clients for LPG.

14 **30.** LPG agreed to pay, and in fact paid, Defendant a portion of the monthly payments
15 received from consumers referred by Defendant.

16 **31.** Defendant also entered into agreements pursuant to which it purported to sell
17 accounts receivable back to LPG.

18 **i. Affiliate Agreement**

19 **32.** On information and belief, Debtor entered into an affiliate agreement with Defendant
20 (“Affiliate Agreement”). However, Trustee is not in current possession of the applicable Affiliate
21 Agreement at this time.

22 **33.** On information and belief, and based on similar agreements, the Affiliate Agreement
23 states that Defendant “owns and operates a system of generating leads consisting of consumers
24 interested in the legal services offered by LPG.”

25 **34.** On information and belief, and based on similar agreements, pursuant to the Affiliate
26 Agreement, Defendant generated leads consisting of consumers interested in the legal services
27 offered by LPG and referred those consumers to Debtor.

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1 **35.** On information and belief, and based on similar agreements, Defendant went so far
2 as to assist with the execution of an engagement letter with the consumer.

3 **36.** On information and belief, and pursuant to similar agreements, LPG would agree to
4 pay entities, similar to Defendant as follows:

5 Affiliate shall be entitled to receive the following as full and complete
6 compensation for its services to LPG: LPG shall pay 65% per file for each
7 file that Affiliate places with LPG, not counting the monthly maintenance
8 fee of \$96.38, which LPG shall retain to cover administrative costs for each
9 file. LPG shall calculate the amount of each file, apply the above-identified
10 percentage fee, and remit the same to Affiliate pursuant to an agreed-upon
11 schedule not to exceed one remittance per seven (7) calendar days. If any
consumer cancels LPG's services, or demands a refund for payment for
such services, or both, then LPG shall be solely responsive [sic] for such
cost and Affiliate shall not have to share such expense.

12 **37.** These types of Affiliate Agreement violates Sections 6151 and 6155 of the California
13 Business and Professional Code, which prohibit referrals of potential clients to attorneys unless
14 registered with the State Bar of California. Cal. Bus. & Prof. Code § 6155. "Referral activity"
15 includes "any entity 'which, in person, electronically, or otherwise, refers the consumer to an
16 attorney or law firm not identified' in the advertising." *Jackson v. LegalMatch.com*, 42 Cal. App.
17 5th 760, 775 (2019). A referral includes receiving information from potential clients and sending
18 that information to lawyers, even when the advertiser does not advertise the name of the attorneys
19 and the clients do not clear the name of the potential attorney after the referral occurred. *Id.*

20 **38.** Further, if any effect of an agreement is to accomplish an unlawful purpose, the
21 agreement may be declared illegal regardless of the intention of the parties. *Stockton Morris Plan
Co. v. Cal. Tractor & Equip. Corp.*, 112 Cal. App. 2d 684, 690 (1952) (citing *Fewel & Dawes, Inc.
v. Pratt*, 17 Cal. 2d 85, 91 (1941)). This remains true regardless of whether the contract has been
24 performed. *Stevens v. Boyes Hot Springs Co.*, 113 Cal. App. 479, 483 (1931) (A contract by a
25 corporation to purchase its own stock has the effect of illegally withdrawing and paying to a
26 stockholder a part of the capital stock of the corporation and is illegal and void, regardless of the
27 fact that the contract is fully performed by the sellers and partially performed by the corporation.);
28 *Mansfield v. Hyde*, 112 Cal. App. 2d 133, 139 (1952), overruled, *Fomco, Inc. v. Joe Maggio, Inc.*,

1 8 Cal. Rptr. 459 (1960) (Where object of statute requiring licenses is to prevent improper persons
2 from engaging in particular activity, or is for purpose of regulating occupation or business for
3 protection of public, imposition of penalty amounts to prohibition against engaging in occupation
4 or business without license, and contract made by unlicensed person in violation of statute is
5 invalid.); *Firpo v. Murphy*, 72 Cal. App. 249, 252 (1925) (A contract to pay commissions to a real
6 estate broker is illegal and he is not entitled to recover thereon where he fails to secure the license
7 required by law to carry on his business.).

8 **39.** Because the Affiliate Agreement violates federal and state law, it is void,
9 unenforceable, and subject to avoidance as fraudulent. Any alleged consideration provided under
10 the Affiliate Agreements and/or the ARPA Agreements (as defined below) was unlawful.

11 **40.** Unlawful consideration is that which is: “(1) contrary to an express provision of law;
12 (2) contrary to the policy of express law, though not expressly prohibited; or (3) otherwise contrary
13 to good morals.” Cal. Civ. Code § 1667. “If any part of a single consideration for one or more
14 objects, or of several considerations for a single object, is unlawful, the entire contract is void.” Cal.
15 Civ. Code § 1608.

16 **ii. Accounts Receivable Purchase Agreements**

17 **41.** On information and belief, Defendant entered into an Accounts Receivable Purchase
18 Agreement with Debtor (collectively referred to as the “ARPA Agreements”). Debtor is not in
19 possession of the ARPA Agreements at this time.

20 **42.** Pursuant to the ARPA Agreements, Defendant purported to sell Debtor streams of
21 monthly payments from consumers that were supposed to be held in trust until earned.

22 **43.** By entering into the ARPA Agreements, Debtor and Defendant violated federal and
23 state laws by selling unearned legal fees or funds there were supposed to be held in trust or used for
24 the benefit of consumers.

25 **44.** The effect of the ARPA Agreements was to accomplish an unlawful purpose. Thus,
26 the agreements may be declared illegal regardless of the intention of the parties. *Stockton Morris*
27 *Plan Co. v. Cal. Tractor & Equip. Corp.*, 112 Cal. App. 2d 684, 690 (1952) (citing *Fewel & Dawes*,
28 *Inc. v. Pratt*, 17 Cal. 2d 85, 91 (1941)). This remains true regardless of whether the contract has

1 been performed. *Stevens v. Boyes Hot Springs Co.*, 113 Cal. App. 479, 483 (1931) (A contract by a
2 corporation to purchase its own stock has the effect of illegally withdrawing and paying to a
3 stockholder a part of the capital stock of the corporation and is illegal and void, regardless of the
4 fact that the contract is fully performed by the sellers and partially performed by the corporation.);
5 *Mansfield v. Hyde*, 112 Cal. App. 2d 133, 139 (1952), overruled, *Fomco, Inc. v. Joe Maggio, Inc.*,
6 8 Cal. Rptr. 459 (1960) (Where object of statute requiring licenses is to prevent improper persons
7 from engaging in particular activity, or is for purpose of regulating occupation or business for
8 protection of public, imposition of penalty amounts to prohibition against engaging in occupation
9 or business without license, and contract made by unlicensed person in violation of statute is
10 invalid.); *Firpo v. Murphy*, 72 Cal. App. 249, 252 (1925) (A contract to pay commissions to a real
11 estate broker is illegal and he is not entitled to recover thereon where he fails to secure the license
12 required by law to carry on his business.).

13 **45.** Because the ARPA Agreements violate federal and state laws, they are void,
14 unenforceable, and subject to avoidance as fraudulent. Any alleged consideration provided to Debtor
15 under the ARPA Agreements was unlawful.

16 **46.** Unlawful consideration is that which is: “(1) contrary to an express provision of law;
17 (2) contrary to the policy of express law, though not expressly prohibited; or (3) otherwise contrary
18 to good morals.” Cal. Civ. Code § 1667. “If any part of a single consideration for one or more
19 objects, or of several considerations for a single object, is unlawful, the entire contract is void.” Cal.
20 Civ. Code § 1608.

21 **D. Payments to Defendant**

22 **47.** During the applicable reach-back period, Debtor paid Defendant the sum of at least
23 \$400,774.54 between May 13, 2022 and October 28, 2022, subject to proof at trial (“Transfers”). A
24 true and accurate list of the known payments made by Debtor to Defendant is attached as Exhibit
25 1, and incorporated here.

26 **E. LPG’s Ponzi Scheme**

27 **48.** The Ponzi Scheme Presumption can be utilized to establish a debtor’s “intent to
28 defraud future undertakers [investors] from the mere fact that a debtor was running a Ponzi scheme.

1 Indeed, no other reasonable inference is possible. A Ponzi scheme cannot work forever. The investor
2 pool is a limited resource and will eventually run dry. The perpetrator must know that the scheme
3 will eventually collapse as a result of the inability to attract new investors. The perpetrator
4 nevertheless makes payments to present investors, which, by definition, are meant to attract new
5 investors. He must know all along, from the very nature of his activities, that investors at the end of
6 the line will lose their money. Knowledge to a substantial certainty constitutes intent in the eyes of
7 the law, *cf. Restatement (Second) of Torts* § 8A (1963 & 1964), and a debtor's knowledge that future
8 investors will not be paid is sufficient to establish his actual intent to defraud them. *Cf. Coleman*
9 *Am. Moving Servs., Inc. v. First Nat'l Bank & Trust Co. (In re American Properties, Inc.)*
10 (Bankr.D.Kan. 1981) 14 B.R. 637, 643 (intentionally carrying out a transaction with full knowledge
11 that its effect will be detrimental to creditors is sufficient for actual intent to hinder, delay or defraud
12 within the meaning of § 548(a)(1))." *Merrill v. Abbott (In re Independent Clearing House Co.)* (D.
13 Utah 1987) 77 B.R. 843, 860.

14 **49.** "But if all the debtor receives in return for a transfer is the use of the defendant's
15 money to run a Ponzi scheme, there is nothing in the bankruptcy estate for creditors to share. In fact,
16 by helping the debtor perpetuate his scheme, the transfers exacerbate the harm to creditors by
17 increasing the amount of claims while diminishing the debtor's estate. In such a situation, the use
18 of the defendant's money cannot objectively be called "reasonably equivalent value." *Id.* at 859.
19 Therefore, "[t]he trustee can avoid the transfers if they were preferential or fraudulent. Transfers to
20 investors in a Ponzi scheme are preferential and fraudulent. Therefore, they constitute "property of
21 the estate," and the trustee can recover them. *Id.* at 853 n.17 (citations omitted).

22 **50.** Debtor was operating a Ponzi scheme that utilized the Defendant and several other
23 entities as investors to continue its unlawful business practices by using funds provided by current
24 investors to attract new investors hoping for very high returns. Therefore, the Debtor was running a
25 Ponzi scheme and the Ponzi Scheme Presumption can be utilized to infer that the Debtor had the
26 intent to defraud investors within the meaning of 11 U.S.C. section 548(a)(1).

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1 **51.** Moreover, since the Transfers were made with the intent to further the Ponzi scheme,
2 the Debtor did not receive an objectively reasonable equivalent value for the Transfers, and the
3 Trustee can avoid the Transfers because they were preferential and fraudulent.

4 **F. LPG's Prepetition Creditors**

5 **52.** Debtor was insolvent when each Transfer was made. This insolvency is evidenced in
6 part by the fact that 14 separate UCC-1 statements were of record securing debts of the Debtor as
7 of September 1, 2022. These statements remained unreleased as of the Petition Date. These
8 statements either reflected secured liens against the Debtor's assets then owned or thereafter
9 acquired, or provided evidence of the assignment or sale of substantial portions of the Debtor's
10 future income.

11 **53.** When the Transfers were made, these prior UCC-1 statements secured the repayment
12 of the following claimed amounts that are currently known to Trustee and are allegedly owed by the
13 Debtor: (i) \$2,374,004.82 owed to Fundura Capital Group as evidenced by Proof of Claim No. 335
14 purportedly secured by a UCC statement filed on or about May 19, 2021; (ii) approximately \$15
15 million dollars owed to MNS Funding, LLC as evidenced by Proof of Claim No. 1060 purportedly
16 secured by a UCC statement filed on or about May 28, 2021; (iii) approximately \$5,000,000 owed
17 to Azzure Capital, LLC as evidenced by Proof of Claim No. 127 secured by a UCC statement filed
18 on or about May 28, 2021; and (iv) approximately \$1.5 million dollars owed to Diverse Capital,
19 LLC purportedly secured by UCC statements filed on or about September 15, 2021, and December
20 1, 2021.^[1]

21 **54.** As alleged above, LPG was borrowing against its assets and future income, often on
22 unfavorable terms, not only to finance operations at LPG, but also to pay the fees owed to the
23 marketing affiliates for providing it with consumer clients. Pursuant to the agreements with the
24 marketing companies, significant percentages of future payments were already promised to be paid
25 to the marketing affiliates from whatever future income the Debtor would receive.

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28 ^[1] Trustee reserves all rights, claims, and defenses with respect to these and any other purported
secured or unsecured claims.

1 **55.** In addition, on Debtor's Schedule E/F [Bankr. Docket No. 33], Debtor scheduled 11
2 unsecured creditors with priority unsecured claims totaling \$374,060.04. These priority unsecured
3 creditors include Indiana Dept. of Revenue, Dept. of Labor and Industries, Arizona Dept. of
4 Economic Security, Arkansas Dept. of Finance & Admin., California Franchise Tax Board, Georgia
5 Dept. of Labor, Internal Revenue Service, Mississippi Dept. of Revenue, Nevada Dept. of Taxation,
6 Utah State Tax Commission, and Wisconsin Dept. of Revenue (collectively, "Priority Unsecured
7 Creditors").

8 **56.** Another group of creditors that Debtor listed on its Schedule E/F [Bankr. Docket No.
9 33] are nonpriority unsecured creditors. Those 58 creditors have scheduled claims totaling
10 \$141,439,158.05 and include Ajilon; Anthem Blue Cross; Azevedo Solutions Groups, Inc.; Carolina
11 Technologies & Consulting Invoice; Collaboration Advisors; Credit Reporting Service Inc.; CT
12 Corporation – Inv.; Debt Pay Pro; Document Fulfillment Services; EnergyCare, LLC; Exela
13 Enterprise Solutions; First Legal Network, LLC; GHA Technologies Inc.; Harrington Electric, Inc.;
14 Imagine Reporting; Juize, Inc.; Krisp Technologies, Inc.; Liberty Mutual; Marc Lemauviel –
15 Allegra; MarkSYS Holdings, LLC; Netsuite-Oracle; Pitney Bowes; Rapid Credit, Inc.; SBS Leasing
16 A Program of De Lage Landen; Security Solutions; Sharp Business Systems; Streamline
17 Performance, Inc.; Thomson Reuters; Twilio, Inc.; Nationwide Appearance Attorneys; Executive
18 Center, LLC; Outsource Accelerator, Ltd.; TaskUs Holdings, Inc.; Marich Bein, LLC; Validation
19 Partners; MC DVI Fund 1, LLC; MC DVI Fund 2, LLC; Debt Validation Fund II, LLC; Tustin
20 Executive Center; LexisNexus; JP Morgan Chase; Business Centers of America; Michael Schwartz;
21 Anibal Colon Jr.; Kathleen Lacey; David Ulery; Kimberly Birdsong; Kevin Carpenter; Karen Suell;
22 Gloria Eaton; Carolyn Beech; Debra Price; Kenneth Topp; Darcey Williamson, Trustee; James
23 Hammett; Johnny Rizo; Beverly Graham; Kathleen Scarlett; and Geneve and Myranda Sheffield
24 (collectively, "Nonpriority Unsecured Creditors" and, together with the Secured Creditors and
25 Priority Unsecured Creditors, "Prepetition Creditors").

26 **57.** As of the filing of this complaint, approximately 5,771 claims have been filed with
27 the bankruptcy Court. While Trustee has not reviewed all claims as of the date of this complaint,
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1 and reserves all rights to object to those claims, the total amount is in excess of approximately
2 \$717,507,462.29

3 **FIRST CLAIM FOR RELIEF**

4 **Count I - Avoidance, Recovery, and Preservation of Actual Fraudulent Transfers**

5 **[11 U.S.C. §§ 548(a)(1)(A), 550, and 551]**

6 **58.** Plaintiff realleges and incorporates here by reference each and every allegation
7 contained in paragraphs 1 through 57 as though set forth in full.

8 **59.** The Affiliate Agreement, ARPA Agreements, and all or a portion of the Transfers
9 occurred within the two years prior to the Petition Date.

10 **60.** On or after the date that such agreements were executed and the Transfers were
11 made, entities to which Debtor was or became indebted include the Prepetition Creditors.

12 **61.** The Transfers happened while Debtor was insolvent or rendered Debtor insolvent.

13 **62.** Despite Debtor's obligation to the Prepetition Creditors, Debtor continued to pay
14 Defendant sums received from consumers under the Affiliate Agreement, which constitutes an
15 illegal capping agreement between Defendant and Debtor. Any obligation of the Debtor arising
16 from such agreement is also avoidable as fraudulent.

17 **63.** Despite Debtor's obligation to the Prepetition Creditors, Defendant continued to
18 sell or transfer portions of its accounts receivable to Debtor, which is illegal under federal and state
19 laws.

20 **64.** The Transfers were made with actual intent to hinder, delay, or defraud creditors of
21 Debtor.

22 **65.** The Debtor was operating a Ponzi scheme and the Ponzi Scheme Presumption can
23 be utilized to infer the Debtor's actual intent to defraud within the meaning of 11 U.S.C. section
24 548(a)(1).

25 **66.** The Debtor's conduct was done with oppression, fraud, and malice, as defined in
26 Civil Code section 3294, entitling the Trustee to, in addition to the actual damages, exemplary or
27 punitive damages for making an example of the Debtor and to punish the Debtor.

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1 **67.** The Affiliate Agreement, ARPA Agreements, and the Transfers of Debtor's funds
2 are avoidable as fraudulent pursuant to 11 U.S.C. §§ 548(a)(1)(A), 550, and 551, and the common
3 law tort of intentional fraudulent transfers by one or more creditors who held and hold unsecured
4 claims against Debtor that were and are allowable against the Estate under 11 U.S.C. § 502 or that
5 were not and are not allowable only under 11 U.S.C. § 502(e), including, without limitation, the
6 Prepetition Creditors.

7 **68.** The Affiliate Agreement, ARPA Agreements, and Transfers should be avoided as
8 fraudulent under 11 U.S.C. § 548(a)(1)(A) and under the common law tort of intentional fraudulent
9 transfers, and such transferred property, or the value thereof, should be recovered and preserved
10 for the benefit of the Estate pursuant to 11 U.S.C. §§ 550 and 551.

SECOND CLAIM FOR RELIEF

**Count II - Avoidance, Recovery, and Preservation of Constructive Fraudulent Transfers
Against Defendant**

14 [11 U.S.C. §§ 548(a)(1)(B), 550, and 551]

15 **69.** Plaintiff realleges and incorporates here by reference each and every allegation
16 contained in paragraphs 1 through 68 as though set forth in full.

17 **70.** The Affiliate Agreement, ARPA Agreements, and all or a portion of the Transfers
18 occurred within the two years prior to the Petition Date.

19 **71.** On or after the date that such agreements were executed and such Transfers were
20 made, entities to which Debtor was or became indebted include the Prepetition Creditors.

21 || 72. The Transfers happened while Debtor:

- a. was insolvent or became insolvent as a result;
- b. was engaged or was about to engage in a transaction for which any property remaining with Debtor was of unreasonably small capital; or
- c. intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts matured.

27 **73.** Because the referrals from Defendant to Debtor are illegal under federal and state
28 law, they are void and subject to avoidance as fraudulent. Any purported consideration constitutes

1 unlawful consideration, which cannot constitute reasonably equivalent value. Thus, at the time the
2 agreements were executed and the Transfers made, Debtor received less than reasonably equivalent
3 value.

4 **74.** Furthermore, the Debtor did not receive the reasonably equivalent value of the
5 Transfers to the Defendant because by using the Defendant's money to run a Ponzi scheme there
6 is nothing in Estate for the creditors to share. Rather, the Transfers exacerbated the harm to
7 creditors by increasing the amount of claims while diminishing the Debtor's Estate. In this
8 situation, the use of the Defendant's money to further the Debtor's Ponzi scheme cannot be
9 consideration for the Transfers and cannot objectively be called reasonably equivalent value.

10 **75.** Therefore, the Defendant was acting as an investor in the Debtor's Ponzi scheme.
11 Any transfers made to the Defendant can be avoided by the Plaintiff since the Transfers are
12 preferential and fraudulent such that they constitute property of the Estate in which the Plaintiff can
13 recover.

14 **76.** The Affiliate Agreement, ARPA Agreements, and the Transfers should be avoided
15 as fraudulent under 11 U.S.C. § 548(a)(1)(B), and such transferred property, or the value thereof,
16 should be recovered and preserved for the benefit of the Estate pursuant to 11 U.S.C. §§ 550 and
17 551.

THIRD CLAIM FOR RELIEF

**Count III - Avoidance, Recovery, and Preservation of Actual Fraudulent Transfers Against
Defendant**

21 [11 U.S.C. §§ 544(b), 550, and 551; Cal. Civ. Code §§ 3439.04(a), 3439.04(b), and 3439.07]

22 77. Plaintiff realleges and incorporates here by reference each and every allegation
23 contained in paragraphs 1 through 76 as though set forth in full.

24 **78.** The Affiliate Agreement, ARPA Agreements, and all or a portion of the Transfers
25 occurred within the four years prior to the Petition Date.

26 **79.** On or after the date that such agreements were entered and such Transfers were
27 made, entities to which Debtor was or became indebted include the Prepetition Creditors.

1 **80.** Despite Debtor's obligation to the Prepetition Creditors, Debtor continued to pay
2 Defendant sums received from consumers under the Affiliate Agreement, which constitutes an
3 illegal capping agreement between Defendant and Debtor.

4 **81.** The Transfers happened while Debtor was insolvent or Debtor became insolvent
5 shortly after the Transfers were made as is evidenced by the filing of the voluntary petition.

6 **82.** The value of the consideration received by Debtor for such Transfers was not
7 reasonably equivalent to the value of the Transfers because the Transfers were used to further assist
8 Debtor in its Ponzi scheme.

9 **83.** Because the referrals from Defendant to Debtor are illegal under federal and state
10 law, they are void and subject to avoidance as fraudulent. Any purported consideration constitutes
11 unlawful consideration, which cannot constitute reasonably equivalent value. Thus, at the time the
12 agreements were executed and the Transfers made, Debtor received less than reasonably equivalent
13 value.

14 **84.** The Transfers were made with actual intent to hinder, delay, or defraud creditors of
15 Debtor.

16 **85.** The Debtor was operating a Ponzi scheme and the Ponzi Scheme Presumption can
17 be utilized to infer the Debtor's actual intent to defraud within the meaning of 11 U.S.C. section
18 548(a)(1).

19 **86.** The Debtor's conduct was done with oppression, fraud, and malice, as defined in
20 Civil Code section 3294, entitling the Trustee to, in addition to the actual damages, exemplary or
21 punitive damages for making an example of the Debtor and to punish the Debtor. The Affiliate
22 Agreement, the ARPA Agreements, and the Transfers of Debtor's funds are avoidable as
23 fraudulent pursuant to 11 U.S.C. § 544(b) and Cal. Civ. Code §§ 3439.04(a), 3439.04(b), and
24 3439.07, and the common law tort of intentional fraudulent transfers by one or more creditors who
25 held and hold unsecured claims against Debtor that were and are allowable against the Estate under
26 11 U.S.C. § 502 or that were not and are not allowable only under 11 U.S.C. § 502(e), including,
27 without limitation, the Prepetition Creditors.

28 ///

1 **87.** Accordingly, the Affiliate Agreement, the ARPA Agreements, and the Transfers
2 should be avoided as fraudulent under 11 U.S.C. §§ 544(b) and Cal. Civ. Code §§ 3439.04(a),
3 3439.04(b), and 3439.07, and under the common law tort of intentional fraudulent transfers, and
4 such transferred property, or the value thereof, should be recovered and preserved for the benefit
5 of the Estate pursuant to 11 U.S.C. §§ 550 and 551 and Cal. Civ. Code § 3439.07.

FOURTH CLAIM FOR RELIEF

**Count IV - Avoidance, Recovery, and Preservation of Constructive Fraudulent Transfers
Against Defendant**

[11 U.S.C. §§ 544(b), 550, and 551; Cal. Civ. Code §§ 3439.05, and 3439.07]

10 **88.** Plaintiff realleges and incorporates here by reference each and every allegation
11 contained in paragraphs 1 through 87 as though set forth in full.

12 **89.** The Affiliate Agreement, the ARPA Agreements, and all or a portion of the Transfers
13 occurred within the four years prior to the Petition Date.

14 || 90. The Transfers happened while Debtor:

- a. was insolvent or became insolvent as a result;
- b. was engaged or was about to engage in a transaction for which any property remaining with Debtor was of unreasonably small capital; or
- c. intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts matured.

20 **91.** Because the referrals from Defendant to Debtor are illegal under federal and state
21 law, the agreements are void and subject to avoidance as fraudulent. Any purported consideration
22 constitutes unlawful consideration, which cannot constitute reasonably equivalent value. Thus, at
23 the time the agreements were executed and the Transfers made, Debtor received less than reasonably
24 equivalent value.

25 **92.** Furthermore, the Debtor did not receive the reasonably equivalent value of the
26 Transfers to the Defendant because by using the Defendant's money to run a Ponzi scheme there
27 is nothing in Estate for the creditors to share. Rather, the Transfers exacerbated the harm to
28 creditors by increasing the amount of claims while diminishing the Debtor's Estate. In this

1 situation, the use of the Defendant's money to further the Debtor's Ponzi scheme cannot be
2 consideration for the Transfers and cannot objectively be called reasonably equivalent value.

3 **93.** The Defendant was therefore acting as an investor in the Debtor's Ponzi scheme and
4 any Transfers made to the Defendant can be avoided by the Plaintiff since the Transfers to the
5 Defendant are preferential and fraudulent such that they constitute property of the Estate in which
6 the Plaintiff can recover.

7 **94.** The Affiliate Agreement, the ARPA Agreements, and the Transfers of Debtor's
8 funds are avoidable as fraudulent pursuant to 11 U.S.C. § 544(b) and Cal. Civ. Code §§ 3439.05 and
9 3439.07 by one or more creditors who held and hold unsecured claims against Debtor that were and
10 are allowable against the Estate under 11 U.S.C. § 502 or that were not and are not allowable only
11 under 11 U.S.C. § 502(e), including, without limitation, the Prepetition Creditors.

12 **95.** Accordingly, the Affiliate Agreement, the ARPA Agreements, and the Transfers
13 should be avoided as fraudulent under 11 U.S.C. §§ 544(b) and Cal. Civ. Code §§ 3439.05 and
14 3439.07, and such transferred property, or the value thereof, should be recovered and preserved for
15 the benefit of the Estate pursuant to 11 U.S.C. §§ 550 and 551 and Cal. Civ. Code § 3439.07.

FIFTH CLAIM FOR RELIEF

Count V - Turnover of Estate Property Against Defendant

[11 U.S.C. § 542]

19 **96.** Plaintiff realleges and incorporates herein by reference each and every allegation
20 contained in paragraphs 1 through 95 as though set forth in full.

21 **97.** Defendant has possession or control over property of the Estate in the form of the
22 Transfers made pursuant to illegal and unenforceable agreements.

23 || 98. The Transfers are not of inconsequential value to the Estate.

24 **99.** The funds that are the subject of the Transfers are paramount to Debtor's ability to
25 pay creditors.

26 **100.** Accordingly, Trustee is entitled to a judgment for turnover of the Transfer pursuant
27 to 11 U.S.C. § 542.

28 | //

RESERVATION OF RIGHTS

2 Plaintiff reserves the right to bring all other claims or causes of action that Plaintiff may have against
3 Defendant, on any and all grounds, as allowed under the law or in equity, including but not limited
4 to, those claims not known by the Trustee at this time but that he may discover during the pendency
5 of this adversary proceeding.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for a judgment as follows:

On The First, Second, Third, and Fourth Claims for Relief:

9 1. Avoiding, recovering, and preserving the Transfers against Defendant; and
10 2. Exemplary and punitive damages to set example of Defendant commensurate to its
11 wealth.

On All Claims for Relief:

13 3. Awarding costs of suit incurred here;

14 4. Awarding pre- and post-judgment interest; and

15 5. Granting any other and further relief as the Court deems just and proper.

16 | Dated: March 18, 2025

Respectfully submitted,

DINSMORE & SHOHL LLP

By: /s/ Brian W. Boyd

Yosina M. Lissebeck

Brian W. Boyd (pro hac vice)

Counsel to Richard A. Marshack,

Plaintiff and Trus

EXHIBIT 1

Bank Name	Account Name	Account Number	Statement Date	Transaction Date	Check Number	Debit/Charge	Memo	
Chase	The Litigation Practice Group PC	[REDACTED]	5/31/2022	5/13/2022		374.32	Fedwire Debit Via: Wells Fargo Disbursement/Time/i5:50	NC: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	5/31/2022	5/19/2022		374.32	Fedwire Debit Via: Wells Fargo Disbursement/Time/14:23	NC: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	5/31/2022	5/27/2022		293.27	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 6:48	NC: Quantum One Holdings LLC us Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	6/30/2022	6/3/2022		1,070.12	Fedwire Debit Via: Wells Fargo NA/i Disbursement/Time/17:20	A/C: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	6/30/2022	6/10/2022		923.46	Fedwire Debit Via: Wells Fargo NA/i Disbursement/Time/i 4:45	A/C: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	6/30/2022	6/16/2022		1,124.51	Fedwire Debit Via: Wells Fargo NA/ Disbursement/Time/i 1:59	A/C: Quantum One Holdings LLC us Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	6/30/2022	6/23/2022		1,197.05	Fedwire Debit Via: Wells Fargo NA/ Disbursement/Time/i 5:30	A/C: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	6/30/2022	6/30/2022		2,071.39	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 3:37	NC: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	7/31/2022	7/8/2022		1,285.46	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 2:47	NC: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	7/31/2022	7/14/2022		2,767.21	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 2:54	A/C: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	7/31/2022	7/18/2022		87,352.83	WIRE TRANS Sent To: WELLS FARGO BANK NA Beneficiary: 1/Quantum One Holdings LLC	
UnionBank	The Litigation Practice Group PC	[REDACTED]	7/31/2022	7/21/2022		1,327.99	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 3:56	NC: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	7/31/2022	7/29/2022		1,475.49	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 1:24	NC: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	8/31/2022	8/5/2022		36,601.85	Fedwire Debit Via: Wells Fargo NA/ Purchase/Time/15:21	A/C: Quantum One Holdings LLC US Ret: File
Chase	The Litigation Practice Group PC	[REDACTED]	8/31/2022	8/5/2022		1,738.90	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 1:27	A/C: Quantum One Holdings LLC us Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	8/31/2022	8/11/2022		1,694.58	Fedwire Debit Via: Wells Fargo NN121000248 NC: Quantum One Holdings LLC US Ref: Weekly Disbursement/Time/i 1:28 Imad: 0811 B1Qgc03C007972 Tm: 3909700223jo	
Chase	The Litigation Practice Group PC	[REDACTED]	8/31/2022	8/19/2022		1,618.44	Fedwire Debit Via: Wells Fargo Disbursement/Time/10:44	A/C: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	8/31/2022	8/22/2022		31,272.25	Fedwire Debit Via: Wells Fargo Purchase/Time/11:33	NC: Quantum One Holdings LLC US Ref: File
Chase	The Litigation Practice Group PC	[REDACTED]	8/31/2022	8/26/2022		1,621.13	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 3:43	NC: Quantum One Holdings LLC us Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/2/2022		13,739.00	Fedwire Debit Via: Wells Fargo NA/ Purchase/Time/18:10	A/C: Quantum One Holdings LLC US Ret: File
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/2/2022		2,476.58	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 1:50	NC: Quantum One Holdings LLC US Ret: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/9/2022		435.79	Fedwire Debit Via: Wells Fargo NA/ Disbursement/Time/i 1:57	A/C: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/16/2022		23,442.00	Fedwire Debit Via: Wells Fargo 6:30	NC: Quantum One Holdings LLC US Ref: File Purchase/Time/i
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/16/2022		1,638.77	Fedwire Debit Via: Wells Fargo NA/ Disbursement/Time/16:44	A/C: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/23/2022		23,473.00	Fedwire Debit Via: Wells Fargo 8:09	NC: Quantum One Holdings LLC US Ref: File Purchase/Time/i
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/23/2022		1,320.68	Fedwire Debit Via: Wells Fargo NA/ Disbursement/Time/i 1:02	A/C: Quantum One Holdings LLC US Ref: File Purchase/Time/i
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/30/2022		25,475.00	Fedwire Debit Via: Wells Fargo NA/ 7:55	NC: Quantum One Holdings LLC US Ref: File Purchase/Time/i
Chase	The Litigation Practice Group PC	[REDACTED]	9/30/2022	9/30/2022		1,385.05	Fedwire Debit Via: Wells Fargo Disbursement/Time/17:55	NC: Quantum One Holdings LLC US Ref: Weekly

Bank Name	Account Name	Account Number	Statement Date	Transaction Date	Check Number	Debit/Charge	Memo	
Chase	The Litigation Practice Group PC	[REDACTED]	10/31/2022	10/6/2022		1,717.14	Fedwire Debit Via: Wells Fargo Disbursement/Time/12:29	A/C: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	10/31/2022	10/7/2022		36,481.00	Fedwire Debit Via: Wells Fargo NA/ Purchase/Time/16:13	A/C: Quantum One Holdings LLC US Ref: File
Chase	The Litigation Practice Group PC	[REDACTED]	10/31/2022	10/14/2022		26,277.00	7:34 [REDACTED] Fedwire Debit Via: Wells Fargo NA/	A/C: Quantum One Holdings LLC us Ref: File Purchase/Time/i
Chase	The Litigation Practice Group PC	[REDACTED]	10/31/2022	10/14/2022		1,705.03	Fedwire Debit Via: Wells Fargo Disbursement/Time/i 3:07	NC: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	10/31/2022	10/21/2022		457.91	Fedwire Debit Via: Wells Fargo NA/ Disbursement/Time/14:23	A/C: Quantum One Holdings LLC US Ret: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	10/31/2022	10/25/2022		24,585.00	Fedwire Debit Via: Wells Fargo Disbursement/Time/16:14	NC: Quantum One Holdings LLC US Ref: Weekly
Chase	The Litigation Practice Group PC	[REDACTED]	10/31/2022	10/28/2022		38,075.00	7:48 [REDACTED] Fedwire Debit Via: Wells Fargo	NC: Quantum One Holdings LLC US Ref: File Purchase/Time/i
Chase	The Litigation Practice Group PC	[REDACTED]	10/31/2022	10/28/2022		1,909.02	Fedwire Debit Via: Wells Fargo Disbursement/Time/16:57	NC: Quantum One Holdings LLC US Ref: Weekly
400,777.54								

EXHIBIT 2

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FILED & ENTERED

JUN 03 2024

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY mccall DEPUTY CLERK

8 Sarah S. Mattingly (Ky. Bar 94257)
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12 Louisville, Kentucky 40202
13 Tele: 859-425-1096
14 Fax: 502-585-2207
15 (Admitted pro hac vice)

16 Special Counsel to Richard A. Marshack

17 **UNITED STATES BANKRUPTCY COURT**

18 **CENTRAL DISTRICT OF CALIFORNIA – SANTA ANA DIVISION**

19 In Re Case No: 23-bk-10571-SC

20 Chapter 11

21 The Litigation Practice Group P.C.,
22 Debtor(s),

23 **ORDER GRANTING MOTION FOR
24 ENTRY OF PROTECTIVE ORDER AND
25 THE PROTECTIVE ORDER**

26 Date: May 23, 2024
27 Time: 1:30 p.m.
28 Judge: Hon. Scott C. Clarkson
Place: Courtroom 5C (via Zoom)¹
411 West Fourth Street
Santa Ana, CA 92701

1 Video and audio connection information for each hearing will be provided on Judge Clarkson's publicly posted hearing calendar, which may be viewed online at:
<http://ecf-ciao.cacb.uscourts.gov/CiaoPosted/?jid=SC>.

1 The Court has read and considered the Notice of Motion and Motion for Entry of Protective
2 Order (the "Motion") filed by Richard A. Marshack, in his capacity as the Chapter 11 Trustee (the
3 "Trustee") of the Bankruptcy Estate ("Estate") of The Litigation Practice Group P.C., on May 2, 2024,
4 pursuant to Federal Rule of Bankruptcy Procedure 7026 and Federal Rule of Civil Procedure 26(c)(1),
5 as Dk. No. 1164 ("Motion"), and has found good cause to grant the Motion.

6 IT IS HEREBY ORDERED that:

7 1. The Motion is granted;
8 2. The below Protective Order shall apply to any contested matter arising
9 in the main bankruptcy case and in all adversary proceedings filed by or against Trustee,
10 present and future; and
11 3. Govern the discovery conducted therein.

12

13 PROTECTIVE ORDER

14 1. DEFINITIONS

15 1.1 "Confidential Information" as used in this Protective Order shall mean documents and
16 other information (regardless of how generated, stored or maintained) that a Party or non-party
17 reasonably believes to contain or reflect non-public financial or business information, bank records,
18 financial records, such as social security numbers, non-public financial or personal information of a
19 Party or non-party, account numbers, sensitive digital information and identifiers, information subject
20 to confidentiality agreements or provisions other than this Protective Order, and other non-public
21 research, development, or commercial information that derives value or avoids injury by virtue of not
22 being known to the public.

23 1.2 This "Action" is defined and hereby means any contested matter arising in the main
24 bankruptcy case and in all adversary proceedings filed by or against Trustee, present and future.

25 1.3 "Designating Party" means a Party or non-party that designates Confidential
26 Information during the Action.

27 1.4 "Receiving Party" means a Party that receives Confidential Information during the
28 Action.

1 1.5 "Party" or "Parties" means person or entity subject to this Protective Order.

2 **2. SCOPE OF THIS PROTECTIVE ORDER**

3 2.1 Unless otherwise ordered, this Protective Order shall govern certain documents and
4 other products of discovery obtained in the Action from the Parties there to, and from third parties.
5 As well as certain information copied or derived therefrom, excerpts, summaries or compilations
6 thereof, including, but not limited to, documents voluntarily exchanged as part of early settlement
7 discussions, documents produced pursuant to initial disclosures, requests authorized by the Federal
8 Rules of Civil Procedure made applicable herein by the Federal Rules of Bankruptcy Procedure,
9 answers to interrogatories, deposition transcripts, responses to requests for production, responses to
10 requests for admission, subpoenas, affidavits, declarations, expert reports, and other such material
11 and information as may be produced during the course of the Action and designated as Confidential
12 Information.

13 **3. DESIGNATION OF CONFIDENTIAL INFORMATION**

14 3.1 This Protective Order shall govern the production and handling of any Confidential
15 Information in this Action. Any Party or non-party who produces Confidential Information in this
16 Action may designate it as "Confidential" or "Attorneys' Eyes Only" consistent with the terms of this
17 Protective Order. Whenever possible, the Designating Party must designate only those portions of a
18 document, written discovery responses, deposition, transcript, or other material that contain the
19 Confidential Information and refrain from designating entire documents. Regardless of any
20 designations made hereunder, the Designating Party is not otherwise restricted from use or disclosure
21 of its Confidential Information outside of this Action or for any business purposes. In addition, any
22 Party may move to modify or seek other relief from any of the terms of this Protective Order if it has
23 first tried in writing and in good faith to resolve its needs or disputes with the other Parties or Party
24 as the case may be under the terms of this Protective Order. Further, nothing in this Protective Order
25 shall prevent a Party from redacting documents consistent with the Federal Rules of Civil Procedure
26 and utilizing the documents as needed through-out the Action.

27 3.2 Application to Non-Parties: Before a non-party is given copies of documents or
28 materials designated as Confidential Information or Attorneys' Eyes Only as permitted hereunder, it

1 must first sign an acknowledgment to be bound to these terms that is attached hereto as Exhibit A; if
2 it fails to do so, the Parties to this Action must resolve any such dispute before making disclosure of
3 designated information as permitted hereunder to the non-party. If a non-party wishes to make
4 designations hereunder, it must first sign attached Exhibit A.

5 3.3 Timing and Provisional Protection: Designations of Confidential Information may be
6 made at any time. To avoid potential waiver of protection hereunder, the Designating Party should
7 designate documents or materials containing Confidential Information at the time of production or
8 disclosure, including on the record during the taking of any deposition. Deposition testimony will be
9 deemed provisionally protected for a period of thirty (30) days after the transcript is released to the
10 Parties by the court reporter, although the Parties may agree at any time to different timelines of
11 provisional protection of information as Confidential or Attorneys' Eyes Only as part of one or more
12 specific depositions. To retain any designations beyond the provisional period, a Designating Party
13 must designate specific pages and lines of deposition testimony before the provisional period has
14 expired. Such designations must be made in writing so that all counsel and court reporters may append
15 the designation to all copies of the transcripts.

16 3.4 Manner of Designation: Confidential Information may be designated hereunder in any
17 reasonable manner or method that notifies the Receiving Party of the designation level and identifies
18 with specificity the information to which the designation applies. If made verbally, the Designating
19 Party must promptly confirm the designation in writing. Whenever possible, the Designating Party
20 should stamp, affix, or embed a legend of "CONFIDENTIAL" or "ATTORNEYS' EYES ONLY" on
21 each designated page of the document or electronic image that contains Confidential Information.

22 **4. CHALLENGES TO DESIGNATED INFORMATION**

23 4.1 In the event that a Receiving Party disagrees at any time with any designation(s) made
24 by the Designating Party, the Receiving Party must first try to resolve such challenge in good faith
25 on an informal basis with the Designating Party. The Receiving Party must provide written notice of
26 the challenge and the grounds therefor to the Designating Party, who must respond in writing to the
27 challenge within fifteen (15) days. At all times, the Designating Party carries the burden of
28 establishing the propriety of the designation and protection level. Unless and until the challenge is

1 resolved by the Parties or ruled upon by the Court, the designated information shall remain protected
2 under this Protective Order. The failure of any Receiving Party to challenge a designation does not
3 constitute a concession that the designation is proper or an admission that the designated information
4 is otherwise competent, relevant, or material.

5 **5. LIMITED ACCESS/USE OF PROTECTED INFORMATION**

6 5.1 Restricted Use: Information that is produced or exchanged in the course of the Action
7 and designated under this Protective Order may be used for preparation for trial and preparation for
8 any appeal of any and all matters in the Action, as well as related settlement negotiations, and for no
9 other purpose, without the written consent of the Designating Party. No Confidential Information may
10 be disclosed to any person except in accordance with the terms of this Protective Order, unless the
11 parties are co-counsel or have entered into joint defense agreements. All persons in possession of
12 Confidential Information agree to exercise reasonable care with regard to the custody, use, or storage
13 of such information to ensure that its confidentiality is maintained. This obligation includes, but is
14 not limited to, the Receiving Party providing to the Designating Party prompt notice of the receipt of
15 any subpoena that seeks production or disclosure of any designated information and consulting with
16 the Designating Party before responding to the subpoena. Any use or disclosure of Confidential or
17 Attorneys' Eyes Only information in violation of the terms of this Protective Order may subject the
18 disclosing person or party to sanctions.

19 5.2 Access to "Confidential" Information: The Party(ies) and all persons subject to this
20 Protective Order agree that information designated as "CONFIDENTIAL" may only be accessed or
21 reviewed by the following:

22 a) The Court, its personnel, and court reporters;
23 b) Counsel of record, or co-counsel for any Party, or other party that has entered into a
24 joint defense agreement in the Action and their employees who assist counsel of record, or co-counsel
25 in the Action and are informed of the duties and obligations imposed hereunder;
26 c) The Parties, including their clients, agents and employees who are assisting or have
27 reason to know of the Action;

28 / / /

1 d) Experts or consultants employed by the Parties or their counsel, or co-counsel, for
2 purposes of an Action, so long as each such expert or consultant has signed attached Exhibit A; and

3 e) Other witnesses or persons with the Designating Party's consent or by court order.

4 5.3 Access to "Attorneys' Eyes Only" Designations: The Parties and all persons subject to
5 this Protective Order agree that information designated as "ATTORNEYS' EYES ONLY" may only
6 be accessed or reviewed by the following:

7 a) The Court, its personnel, and court reporters;

8 b) Counsel of record, or co-counsel for any Party, or other party that has entered into a
9 joint defense agreement in the Action and their employees who assist counsel of record in the Action
10 and are informed of the duties hereunder;

11 c) In-house counsel for any Party in the Action and Richard A. Marshack, as Chapter 11
12 Trustee of The Litigation Practice Group P.C. who is informed of the duties and obligations imposed
13 hereunder;

14 d) Experts or consultants employed by the Parties or their counsel, or co-counsel for
15 purposes of the Action, and so long as each such expert or consultant has signed attached Exhibit A;
16 and

17 e) Other witnesses or persons to whom the Designating Party agrees in advance of
18 disclosure or by court order.

19 5.4 Non-Waiver Effect of Designations: Neither the taking of, nor the failure to take, any
20 action to enforce the provisions of this Protective Order, nor the failure to object to any designation,
21 will constitute a waiver of any Party(ies)'s claim or defense in the Action or any other action or
22 proceeding, including, but not limited to, a claim or defense that any designated information is or is
23 not Confidential, is or is not entitled to particular protection, or embodies or does not embody
24 information protectable by law.

25 5.5 In-Court Use of Designated Information: If information designated under this
26 Protective Order will or may be offered in evidence at a hearing or trial related to any matter in the
27 Action, then the offering party must give advance notice to the party or non-party that designated
28 prior to offering the information so that any use or disclosure may be addressed in accordance with

1 the Court's case-management or other pre-trial order, or by a motion *in limine*. Nothing in this
2 Protective Order shall be construed as a waiver by a Party of any objections that may be raised as to
3 the admissibility at trial of any evidentiary materials.

4 **6. CLAW-BACK REQUESTS**

5 6.1 Failure to Make Designation: If, at any time, a Party or non-party discovers that it
6 produced or disclosed Confidential Information without designation, it may promptly notify the
7 Receiving Party and identify with particularity the Confidential Information to be designated and the
8 level of designation (the claw-back notification). The Receiving Party may then request substitute
9 production of the newly-designated information. Within thirty (30) days of receiving the claw-back
10 notification, the Receiving Party must: (1) certify to the Designating Party it has appropriately marked
11 or, if substitute production has been requested, destroyed all unmarked copies that it received, made,
12 and/or distributed; and (2) if it was practicably unable to mark or destroy any information because
13 disclosures occurred while the Receiving Party was under no duty of confidentiality under the terms
14 of this Protective Order regarding that information, the Receiving Party must reasonably provide as
15 much information as practicable to aid the Designating Party in protecting the information,
16 consistently with the Receiving Party's attorney-client, work-product, and/or trial-preparation
17 privileges.

18 6.2 Inadvertent Production of Privileged Information: If, at any time, a Party discovers
19 that it produced information that it reasonably believes is subject to protection under the
20 attorney/client, work-product, or trial-preparation privileges, then it must promptly notify each
21 Receiving Party of the claim for protection, the basis for it, amend its privilege log accordingly, and
22 comply with Fed. R. Civ. P. 26(b)(5). Whenever possible, the producing party must produce substitute
23 information that redacts the information subject to the claimed protection. The Receiving Party must
24 thereupon comply with Fed. R. Civ. P. 26(b)(5)(B) as to the information subject to the claimed
25 protection.

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1 **7. DURATION/CONTINUED RESTRICTIONS**

2 7.1 Handling of Designated Information Upon Conclusion of the Main Bankruptcy Case:
3 Upon conclusion of the Main Bankruptcy Case, by way of dismissal or closing of the case, the
4 Designating Party(ies) is/are responsible for ensuring that any Party or person to whom the
5 Designating Party shared or disclosed designated information in any of the matters under the Action
6 returns or destroys all of its copies, regardless of the medium in which it was stored. No witness or
7 Party may retain designated information that it received from any other Party or non-party under this
8 Protective Order; only counsel of record, or co-counsel, are the authorized agents who may retain one
9 copy for their respective legal files, and who must also describe to the Designating Party the extra
10 steps taken to protect its legal file containing paper and/or electronic copies of the designated
11 information so that it is not accessed, used, or disclosed inconsistently with the obligations under this
12 Protective Order. This provision does not apply to the Court or Court staff. Moreover, this provision
13 does not apply to Trustee, who may retain and use – consistent with this Order – Confidential
14 Information received in any Action during the entirety of the Bankruptcy.

15 7.2 Continued Restrictions Under this Protective Order: The restrictions on disclosure and
16 use of Confidential Information shall survive the conclusion of the Bankruptcy case and any matter
17 in the Action.

18 **8. PRIVILEGED OR PROTECTED INFORMATION**

19 8.1 Nothing in this Protective Order shall require disclosure of information that is
20 protected by the attorney-client privilege, the work-product protection, or any other legally cognizable
21 privilege (a “Privilege or Protection”). If information subject to a claim of Privilege or Protection is
22 inadvertently produced, pursuant to Federal Rule of Evidence 502(d) such production shall not
23 constitute a waiver of, or estoppel as to, any claim of Privilege or Protection for such information or
24 any other information that may be protected from disclosure by a Privilege or Protection in any
25 proceeding.

26 8.2 If a Party receives a document that appears to be subject to a Privilege or Protection,
27 then it shall refrain from examining the document any more than is essential to ascertain if it is
28 privileged or protected and shall promptly notify the producing Party in writing that the receiving

1 Party possesses material that appears to be subject to a Privilege or Protection. The producing Party
2 shall have seven (7) days after receiving such notice to assert a Privilege or Protection over the
3 identified material. If the producing Party does not assert a claim of Privilege or Protection within the
4 seven (7)-day period, the material in question shall be deemed not privileged or protected.

5 8.3 If a producing Party has produced a document subject to a claim of Privilege or
6 Protection, upon written request by the producing Party, the document for which a claim of Privilege
7 or Protection is made shall be sequestered or destroyed to the extent reasonably practicable, and the
8 receiving Party shall not use the document for any purpose other than in connection with analyzing
9 or disputing a claim of Privilege or Protection or in connection with a motion to compel the production
10 of the document.

11 8.4 The receiving Party sequestering or destroying such material may then move the Court
12 for an order compelling production of the material. The applicable producing Party bears the burden
13 of establishing the applicable Privilege or Protection of any clawed-back document or information as
14 and to the same extent that it would have borne such burden had it not produced the document or
15 information. Nothing in this Protective Order shall limit the Court's right or any receiving Party's
16 right to request an in camera review of any information subject to a claim of Privilege or Protection.

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Date: June 3, 2024

Scott C. Clarkson
United States Bankruptcy Judge

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5 EXHIBIT "A"
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1 Christopher B. Ghio (State Bar No. 259094)
2 Christopher Celentino (State Bar No. 131688)
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17 Sarah.mattingly@dinsmore.com
18 (Admitted pro hac vice)

19 Special Counsel to Richard A. Marshack,
20 Chapter 11 Trustee

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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In Re

21 The Litigation Practice Group P.C.,
22 Debtor(s),

Case No. 8:23-BK-10571-SC

23 Chapter 11

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**EXHIBIT A TO STIPULATED
ORDER**

Date: May 23, 2024

Time: 1:30 p.m.

Judge: Hon. Scott C. Clarkson

Place: Courtroom 5C¹ - Via Zoom
411 W. Fourth Street
Santa Ana, CA 92701

¹ Video and audio connection information for each hearing will be provided on Judge Clarkson's publicly posted hearing calendar, which may be viewed online at:
<http://ecf-ciao.cacb.uscourts.gov/CiaoPosted/?jid=SC>.

1 This is to certify that:

2 (a) I am being given access to Confidential Information pursuant to the
3 Stipulated Protective Order that was entered into the main bankruptcy case for
4 Litigation Practice Group, but which is binding and controlling as set forth by the
5 Court's Order on any and all contested matters and any and all litigation commenced
6 by Trustee;

7 (b) I have read the Stipulated Protective Order; and

8 (c) I agree to be bound by the terms and conditions thereof, including,
9 without limitation, to the obligations regarding the use, non-disclosure and return of
10 such Confidential Information. I further agree that in addition to being contractually
11 bound by the Stipulated Protective Order, I am subject to the jurisdiction of the above
12 reference Court for any violation thereof.

13

14 Date: _____

15

16 _____ Signature

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20 _____ Printed Name

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B1040 (FORM 1040) (12/15)

ADVERSARY PROCEEDING COVER SHEET (Instructions on Reverse)		ADVERSARY PROCEEDING NUMBER (Court Use Only)
PLAINTIFFS Richard A. Marshack, Trustee of the LPG Liquidation Trust		DEFENDANTS Quantum One Holdings, LLC
ATTORNEYS (Firm Name, Address, and Telephone No.) Christopher Celentino Dinsmore & Shohl LLP 655 West Broadway, Suite 800 San Diego, California 92101 619.400.0500 Yosina M. Lissebeck Brian W. Boyd (pro hac vice)		ATTORNEYS (If Known)
PARTY (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input type="checkbox"/> Other <input checked="" type="checkbox"/> Trustee		PARTY (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input type="checkbox"/> Other <input type="checkbox"/> Trustee
CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED) (1) Avoidance, Recovery, and Preservation of 2-Year Actual Fraudulent Transfers; (2) Avoidance, Recovery, and Preservation of 2-Year Constructive Fraudulent Transfers; (3) Avoidance, Recovery, and Preservation of 4-Year Actual Fraudulent Transfers; (4) Avoidance, Recovery, and Preservation of 4-Year Constructive Fraudulent Transfers; and (5) Turnover		
NATURE OF SUIT		
(Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)		
FRBP 7001(1) – Recovery of Money/Property <input checked="" type="checkbox"/> 11-Recovery of money/property - §542 turnover of property <input checked="" type="checkbox"/> 12-Recovery of money/property - §547 preference <input checked="" type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer <input checked="" type="checkbox"/> 14-Recovery of money/property - other		
FRBP 7001(2) – Validity, Priority or Extent of Lien <input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property		
FRBP 7001(3) – Approval of Sale of Property <input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h)		
FRBP 7001(4) – Objection/Revocation of Discharge <input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e)		
FRBP 7001(5) – Revocation of Confirmation <input type="checkbox"/> 51-Revocation of confirmation		
FRBP 7001(6) – Dischargeability <input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims <input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud <input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny (continued next column)		
FRBP 7001(6) – Dischargeability (continued) <input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support <input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury <input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan <input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support) <input type="checkbox"/> 65-Dischargeability - other		
FRBP 7001(7) – Injunctive Relief <input type="checkbox"/> 71-Injunctive relief – imposition of stay <input type="checkbox"/> 72-Injunctive relief – other		
FRBP 7001(8) Subordination of Claim or Interest <input type="checkbox"/> 81-Subordination of claim or interest		
FRBP 7001(9) Declaratory Judgment <input type="checkbox"/> 91-Declaratory judgment		
FRBP 7001(10) Determination of Removed Action <input type="checkbox"/> 01-Determination of removed claim or cause		
Other <input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et.seq.</i> <input type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)		
<input type="checkbox"/> Check if this case involves a substantive issue of state law <input type="checkbox"/> Check if a jury trial is demanded in complaint		<input type="checkbox"/> Check if this is asserted to be a class action under FRCP 23 Demand \$ 400,774.54
Other Relief Sought		

B1040 (FORM 1040) (12/15)

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR The Litigation Practice Group P.C.	BANKRUPTCY CASE NO. 8:23-bk-10571-SC	
DISTRICT IN WHICH CASE IS PENDING Central District of California	DIVISION OFFICE Santa Ana	NAME OF JUDGE Hon. Scott C. Clarkson
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING	DIVISION OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF)		
<p>/s/ Brian W. Boyd</p>		
DATE March 17, 2025	PRINT NAME OF ATTORNEY (OR PLAINTIFF) Brian W. Boyd	

INSTRUCTIONS

The filing of a bankruptcy case creates an “estate” under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor’s discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 1040, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court’s Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 1040 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff’s attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

Plaintiffs and Defendants. Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

Attorneys. Give the names and addresses of the attorneys, if known.

Party. Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

Demand. Enter the dollar amount being demanded in the complaint.

Signature. This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.